

**PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA  
COMMISSION DIRECTIVE**

ADMINISTRATIVE MATTER	<input type="checkbox"/>	DATE	<u>June 18, 2014</u>
MOTOR CARRIER MATTER	<input type="checkbox"/>	DOCKET NO.	<u>2013-55-C</u>
UTILITIES MATTER	<input type="checkbox"/>	ORDER NO.	

**SUBJECT:**

DOCKET NO. 2013-55-C - South Carolina Telephone Coalition Petition to Modify Alternative Regulation Plans Filed Pursuant to S.C. Code Section 58-9-576(B) to Take Into Account Recent Action by the Federal Communications Commission - Discuss this Matter with the Commission.

**COMMISSION ACTION:**

This matter comes before us on a Motion to Require Reductions in Amounts Drawn from the Universal Service Fund ("USF") by six members of the South Carolina Telephone Coalition ("SCTC"), which was filed by the South Carolina Cable Television Association ("SCCTA"). I move that this Motion be denied.

By Petition in this Docket, SCTC asked this Commission to modify the rate cap for basic local residential service from the statewide average rate to the applicable nationwide average rate for such service as determined by the Federal Communications Commission. We granted this Petition and six SCTC member companies filed tariffs to increase rates for basic residential local exchange service in accordance with our Order. Later, the South Carolina Cable Television Association filed a Motion to Require Reductions in Amounts Drawn from the Universal Service Fund, applicable to the six companies.

SCCTA stated two grounds for its Motion. First, SCCTA argued that the Commission's Universal Service Fund ("USF") plan requires USF withdrawals by carriers of last resort to be revenue neutral, therefore, under the SCCTA theory, State USF withdrawals must be reduced to offset the additional revenues from the recent local rate increases. Second, SCCTA also argued that State law requires reduction in USF withdrawals because it defines the USF as the difference between the cost of providing basic local service and the maximum amount the company can charge for the service. Here, according to SCCTA, the higher local rates mean that this difference is less and, therefore, under SCCTA's theory, the amount of USF funds allowed to be withdrawn should be decreased for the six companies in question. I disagree with both arguments.

First, the "revenue neutrality" requirement specifically relates to the removal of implicit support from rates for services other than from rates for basic local exchange service, which are the rates under consideration here. Basic local rates do not include implicit support and the revenue neutrality requirement does not apply to basic local service rates.

Second, as we have previously held, the maximum amount that the company can charge for basic local service is relevant only in calculating the theoretical maximum size of the Fund, which has already been accomplished. So, SCCTA's second argument also does not apply to the facts before us.

Also, SCCTA argues that the SCTC companies are being over-compensated if the amount of USF support is not reduced, due to the fact that they are receiving extensive funding from both explicit and implicit sources. This is not the case. The amount of implicit funding has dropped dramatically in recent years with the drop in the number of land lines in South Carolina.

For these reasons, I move that we deny the SCCTA Motion to Require Reductions in USF Funding for the six SCTC companies.

	MOTION	YES	NO	OTHER
FLEMING	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
HALL	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
HAMILTON	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
HOWARD	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
MC GEE	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
RANDALL	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<u>Absent</u> Annual Leave
WHITFIELD	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<div>Absent</div> Annual Leave

(SEAL)

RECORDED BY: T. DeSanty

